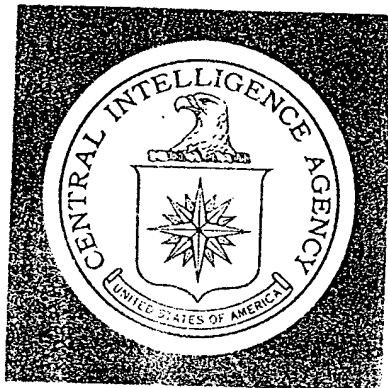


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DIRECTORATE OF
INTELLIGENCE

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

Intelligence Memorandum

*Communist Exports of Petroleum
to the Free World in 1966*

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Nº 13

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June 1967

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

INTELLIGENCE MEMORANDUM

Communist Exports of Petroleum
to the Free World in 1966

Summary

In 1966 the USSR and the Eastern European Communist countries* exported to the Free World nearly 46 million tons** of petroleum, valued at about \$570 million. This is an increase of 10 percent over 1965 and is the highest level of sales since the Communist countries became net exporters of petroleum in 1955. The entire increase in sales resulted from exports to the developed countries; exports to less developed countries actually declined in comparison with 1965. Petroleum from Communist countries, however, continued to satisfy only about 5 percent of the growing demand in non-Communist countries, excluding the United States. Communist exports of petroleum to the Free World in 1967 may increase by 9 percent to about 50 million tons, representing more than \$600 million in foreign exchange.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Research and Reports; the estimates and conclusions represent the best judgment of the Directorate of Intelligence as of June 1967.

* Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

** Tonnages are given in metric tons.

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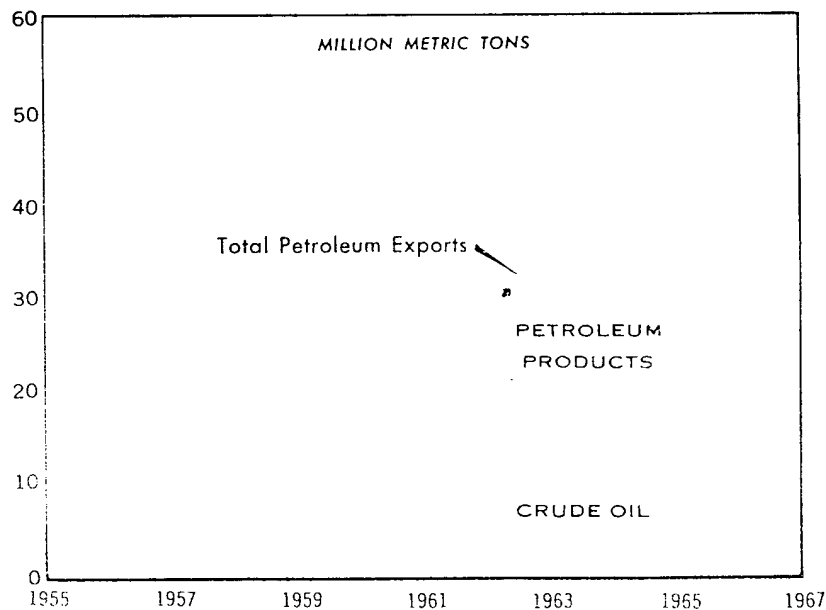
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Origin and Composition

1. The USSR exported 39 million tons of petroleum to the Free World in 1966, about 85 percent of total Communist sales of petroleum to this area. The Eastern European Communist countries supplied the remainder, almost 7 million tons of petroleum products. The USSR furnished all of the crude oil -- about 24 million tons -- and 15 million tons of petroleum products. The share of crude oil in total Communist sales of petroleum to the Free World, which was 52 percent in 1966, has risen during the past decade. This rising trend in the share of crude oil in total exports probably will persist for at least two or three more years, as additions to Soviet refining capacity will continue to lag behind the annual increases in output of crude oil. The growth in exports of petroleum from Communist countries to the Free World since 1955 is shown in the chart.

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COMMUNIST EXPORTS OF PETROLEUM TO THE FREE WORLD 1955-67



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2. Exports of petroleum products from the Eastern European Communist countries in 1966 increased only about 5 percent over 1965, in contrast to an average annual increase of approximately 12 percent during the previous three years. Rising demands for petroleum products in Eastern Europe and a leveling off in the expansion of refinery capacity probably contributed to the decline in the rate of growth of exports. The composition of Communist exports of petroleum to the Free World during 1965 and 1966 is summarized as follows:

Million Tons						
1965			1966			
	<u>USSR</u>	<u>Eastern Europe</u>	<u>Total</u>	<u>USSR</u>	<u>Eastern Europe</u>	<u>Total</u>
Crude oil	21.0	0	21.0	23.9	0	23.9
Petroleum products	14.5	6.4 a/	20.9	15.3	6.7 a/	22.0
Total	<u>35.5</u>	<u>6.4</u>	<u>41.9</u>	<u>39.2</u>	<u>6.7</u>	<u>45.9</u>

a. About half of the total was supplied by Rumania, the only Eastern European Communist country with an exportable surplus from indigenous supplies. Other Eastern European countries derive most of their capability to export petroleum products from refining imported Soviet crude oil.

Markets and Prices

3. All of the increase in Soviet sales of petroleum to the Free World in 1966 was in exports to the developed countries; exports to the less developed countries actually declined in comparison with 1965. Deliveries to the developed countries rose from approximately 26 million tons in 1965 to nearly 31 million tons in 1966 and represented almost three-fourths of the value of all Soviet

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exports of petroleum to the Free World. Exports of petroleum products from Eastern Europe to both the developed and the less developed countries were only slightly higher than in 1965, as shown in the following tabulation:

Importing Area	Million Tons					
	1965			1966		
	From the USSR	From Eastern Europe	Total	From the USSR	From Eastern Europe	Total
Developed countries	26.1	5.5	31.6	30.6	5.7	36.3
Less devel- oped coun- tries	9.4	0.9	10.3	8.6	1.0	9.6
Total	<u>35.5</u>	<u>6.4</u>	<u>41.9</u>	<u>39.2</u>	<u>6.7</u>	<u>45.9</u>

4. During 1966, 42 Free World countries received petroleum from Communist countries. Somalia, Sudan, Indonesia, and Chile received token amounts for the first time. An estimated 74 percent of total exports of petroleum from Communist countries to the Free World went to Western Europe, but this quantity represented only about 8 percent of Western Europe's total demand, about the same proportion as in 1964 and 1965. Three highly developed countries -- Italy, West Germany, and Japan -- took 43 percent of all the oil sold by Communist countries, but this imported oil represented only 8 percent of their combined domestic consumption. Imports from Communist countries continued to satisfy a high percentage of total consumption in some small countries such as Iceland (96 percent), Finland (83 percent), Ghana (76 percent), and Afghanistan (75 percent) (see the table). Except in the case of Finland, however, the quantities imported were not large.

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Communist Exports of Crude Oil and Petroleum Products
to the Free World, by Destination
1966

Destination a/	Thousand Metric Tons					Percent of Recipient's Demand
	Crude Oil from the USSR	Petroleum Products			Total Petroleum	
		From the USSR	From the Eastern European Communist Countries	Total		
Total	<u>23,882</u>	<u>15,307</u>	<u>6,696</u>	<u>22,003</u>	<u>45,885</u>	8 b/
Western Europe	<u>16,913</u>	<u>11,107</u>	<u>5,727</u>	<u>16,834</u>	<u>33,747</u>	8
OECD	14,523	7,915	5,433	13,348	27,871	7
NAFO	13,373	4,635	3,758	8,393	21,766	6
Common Market	12,785	2,598	3,036	5,634	18,419	7
Belgium	0	253	141	394	394	2
France	1,600	757	820	1,577	3,177	5
Italy	7,900	550	405	955	8,855	15
Netherlands	0	50	0	50	50	Negl.
West Germany	3,285	988	1,670	2,658	5,943	7
Other NATO	588	2,037	722	2,759	3,347	3
Denmark	0	248	5	253	253	2
Greece	400	860	321	1,181	1,581	34
Ireland	0	460	53	513	513	99
Spain	38	305	63	368	406	8
Portugal	150	130	129	259	409	9
United Kingdom	0	34	151	185	185	Negl.
Other non	1,150	3,280	1,675	4,955	6,105	17
Austria	650	30	1,100	1,130	1,780	27
Sweden	0	3,250	250	3,500	3,500	18
Switzerland	500	0	325	325	825	9

a/ An asterisk indicates a non developed country; all others are developed countries.

b/ In the case of countries that do not import petroleum from Communist countries is included, the share of Communist oil in their total demand, excluding that of the United States, is only 5 percent.

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Communist Exports of Crude Oil and Petroleum Products
to the Free World, by Destination
1966
(Continued)

Destination	Thousand Metric Tons					Percent of Recipient's Demand
	Crude Oil from the USSR	Petroleum Products			Total Petroleum	
		From the USSR	From the Eastern European Communist Countries	Total		
Algeria	2,390	3,192	294	3,486	5,876	25
Canada	0	0	100	100	100	27
France	2,200	3,047	177	3,224	5,424	83
Germany	0	145	0	145	145	5
Greece	190	0	17	17	207	1
Italy	422	601	338	939	1,761	12
Japan	0	91	66	157	157	5
Lebanon	0	0	18	18	18	1
Spain	30	288	111	399	429	30
Sweden	792	163	143	306	1,098	15
Turkey	0	59	0	59	59	50
Yugoslavia	402	163	25	188	1,090	18
Armenia	0	0	2	2	2	Negl.
Azerbaijan	406	53	0	53	541	76
Belgium	0	64	0	64	64	25
Bulgaria	414	39	14	53	467	31
Czechoslovakia	0	4	0	4	4	2
Denmark	0	3	0	3	3	9
Finland	0	0	3	3	3	Negl.
France	0	0	6	6	6	1
Germany	4,172	3,193	606	3,799	7,102	6
Italy	0	0	0	0	135	75
Japan	0	0	0	0	150	18
Lebanon	0	0	30	678	678	64
Spain	0	648	81	1,344	1,344	10
Sweden	0	0	8	8	8	Negl.
Turkey	0	1,074	487	1,561	4,773	5
Yugoslavia	0	4	0	4	14	Negl.

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Communist Exports of Crude Oil and Petroleum Products
to the Free World, by Destination
1966
(Continued)

Destination	Thousand Metric Tons				Percent of Recipient's Demand
	Crude Oil from the USSR	Petroleum Products		Total Petroleum	
		From the USSR	From the Eastern European Communist Countries		
Latin America	1,873	312	312	2,185	5
Argentina*	0	292	292	292	2
Brazil*	1,869	0	0	1,869	10
Chile*	4	0	0	4	Negl.
Uruguay*	0	20	20	20	1

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5. Brazil, Greece, India, the United Arab Republic (UAR), and Ceylon received about 68 percent of total Communist shipments of petroleum to the less developed areas in 1966. Sales to Argentina and Brazil declined by about 1.1 million tons from the 1965 level, as these countries attempted to limit foreign exchange deficits by importing only as much oil as they could finance by exports of domestic goods.

6. The price charged by the USSR for petroleum exported to developed countries varies considerably but, in general, is comparable to world market prices. Higher prices are charged, however, for petroleum products exported to the less developed countries because the products that the USSR imports in exchange for oil are not in great demand in the Soviet economy. On the basis of prices charged for crude oil and products exported from the USSR to Free World countries in 1965 (1966 data are unavailable), the value of such exports in 1966 is estimated at about \$480 million. The total value of Soviet exports has not increased as rapidly as the volume of exports during the past few years because prices have declined gradually and because the share of crude oil in total exports has risen. Nevertheless, exports of petroleum have been a major source of foreign exchange earnings for the USSR for a number of years and have helped pay for modern equipment and technology for industrial development.

Method of Delivery

7. About 91 percent of the petroleum exported by Communist countries to the Free World in 1966 was shipped in oceangoing tankers, more than half of these shipments being in Communist-owned vessels. Almost 61 million tons, or about two-thirds of the total, was shipped from Black Sea ports. About 10 million tons, or 22 percent of the total, was shipped from Baltic Sea ports, principally from Ventspils and Klaipeda. Small quantities were also shipped from Leningrad, which became an oil port for the first time in 1966. Shipments from Baltic

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ports have increased fourfold since 1961, the year in which they began. The remaining 5 million tons was shipped from Far Eastern ports and by rail and barge, as shown below:

Export Movement	Million Tons			Total	Percent of Total
	Soviet Crude Oil	Soviet Petroleum Products	Eastern European Petroleum Products		
Black Sea ports	16.8	10.6	3.2	30.6	66.7
Baltic Sea ports	5.3	4.3	0.6	10.2	22.2
Far Eastern ports	0.7	0.1	0	0.8	1.7
Rail and barge	1.1	0.3	2.9	4.3	9.4
Total	<u>23.9</u>	<u>15.3</u>	<u>6.7</u>	<u>45.9</u>	<u>100.0</u>

Prospects for 1967

8. Soviet plans for 1967 call for an increase of 21 million tons in the production of crude oil. Production plans have been overfulfilled for the past several years, and it is likely that the increase in 1967 will match the record 22 million tons achieved in 1966. Much of the additional amount will be used to meet rising domestic demands, but the USSR will probably have an exportable surplus of about 80 million tons of petroleum. It is estimated that about 37 million tons of this surplus will be exported to other Communist countries, and the remainder will be available for export to the Free World. The Eastern European Communist countries will probably have at least 7 million tons of petroleum products available for export to the Free World, making a total of some 50 million tons from the USSR and Eastern Europe. This total is almost 10 times the amount exported in 1955, the year in which the Communist countries first became net exporters of petroleum.

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9. Before the Near East crisis, there were indications that the USSR might have to conduct a vigorous sales effort in the Free World to export all the oil that it had available. Some of the less developed countries, especially in Latin America, may reduce imports of Soviet oil because of the difficulty of increasing their exports to the USSR. Any increase in imports of Soviet oil into Brazil probably will depend on Soviet willingness to take substantial quantities of Brazilian goods in exchange. There were signs that sales to the developed countries would also become more difficult. Japan planned to import less Soviet oil in 1967 than in 1966, and one or two Western European countries indicated an intention to slow down the rate of increase in purchases of Soviet oil. Shortages caused by the Near East crisis could change this picture, however.

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